

## Message Text

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DRAFTED BY EB/ORF/FSE:MCREEKMORE:DLS

APPROVED BY EB - MR. KATZ

EB/ORF/FSE:SBOSWORTH

EUR/RPE:ASENS

EB/IFD/OMA:RJRYAN (PARA 12)

E:RSORRENSEN

TREAS:JADGER

TREAS:WMCCAMEY

S/S-O: P. JOHNSON

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SUBJECT: SUGGESTED REVISIONS TO SECRETARIAT'S PAPER ON  
PRODUCER/CONSUMER DIALOGUE

1. OUR RECOMMENDATIONS FOR REVISIONS TO THE SECRETARIATS'  
DRAFT NOTE IEA/GB(75)44 FOLLOW:

2. PAGE 3, NUMBER 1(A)(II), TO READ "TO PROMOTE THE TRANS-  
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FORMATION OF THE PRESENT UNSETTLED ECONOMIC SITUATION

TOWARD FUTURE LONGER TERM EQUILIBRIA IN SUPPLY AND DEMAND FOR ENERGY AND OTHER RAW MATERIALS, TO SMOOTH ANY TRANSITIONS, AND PROMOTE THE ECONOMIC DEVELOPMENT OF LESS DEVELOPED COUNTRIES."

3. PAGE 7, III(A), SECTION ON EFFECTS OF STRUCTURAL CHANGES IN THE OIL MARKET ON THE GENERAL ECONOMIC SITUATION SUBSTANTIALLY UNDERESTIMATES COSTS IN TERMS OF REAL OUTPUT SEE US COMMENTS ON VAN YPERSELE PAPERS.

4. PAGE 8, LAST SENTENCE UNDER A.4. TO READ "THESE DIS-EQUILIBRIA SEEM TO BE MODERATING SOMEWHAT, AT LEAST IN SOME INDUSTRIALIZED AND OIL PRODUCING COUNTRIES." ADD FOLLOWING SENTENCE "THE ABILITY OF COUNTRIES TO ADJUST TO THESE SUDDEN BALANCE OF PAYMENT DISEQUILIBRIA WOULD BE IMPEDED BY FURTHER OIL PRICE INCREASES."

5. PAGE 8, NUMBER 5, DELETE "SEVERE" FROM SECOND LINE.

6. PAGE 8, LAST SENTENCE UNDER A.6. IS UNCLEAR AS TO WHY AND HOW INDUSTRIAL NATIONS SHOULD CONTRIBUTE TO "CORRECTIVE MEASURES" TO RELIEVE SITUATIONS CAUSED BY PRODUCERS GETTING LOWER LEVELS OF REVENUE THAN EXPECTED DUE TO THEIR PRICING POLICIES. THIS IDEA AND EXPLANATIONS FOR IT NEED TO BE MORE CAREFULLY SPELLED OUT OR DROPPED.

7. PAGE 9, LAST SENTENCE UNDER B.1. READS "HOWEVER, THE RECESSION AND MILD WINTER PROBABLY ACCOUNTED FOR THE MAJOR PART OF THE TOTAL DECREASE IN DEMAND." A NEW FINAL SENTENCE SHOULD BE ADDED -- "CONSERVATION MEASURES SHOULD HAVE A GREATER IMPACT ON DECREASING DEMAND IN THE FUTURE."

8. PAGE 9, FOOTNOTE, SHOULD BE CHANGED TO READ, "WE MUST BE PREPARED TO DEMONSTRATE THE ELASTICITY EFFECT AND TO DEMONSTRATE THAT THE EFFORTS OF CONSUMER ECONOMIES TO ADJUST TO THE HIGHER PRICES HAVE BEEN VERY COSTLY AND THAT FURTHER INCREASES WILL ACCELERATE THE CYCLE OF RE-LIMITED OFFICIAL USE

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CESSION AND FALLING DEMAND.

9. PAGE 11, UNLESS REVISED DATA IS NOW AVAILABLE, LAST SENTENCE OF B.(E) SHOULD REFLECT LONG TERM ENERGY ASSESSMENT THAT SHOWS THAT AT CURRENT PRICES OPEC EXPORTS IN 1980 WILL BE SIGNIFICANTLY LESS THAN EXISTING OPEC PRODUCTIVE CAPACITY.

10.PAGE 11-12, SUGGEST FOOTNOTE TO B.(F)(I) TO READ  
"SINCE THERE IS LITTLE LIKELIHOOD OF PROGRESS INITIALLY  
ON THE ISSUES OF PRICE AND SECURITY OF SUPPLY, CONSUMERS  
SHOULD CONCENTRATE ON CREATING A PROCESS WHICH WILL  
ENCOURAGE OIL PRODUCERS OVER TIME TO DEVELOP A GREATER  
UNDERSTANDING OF THE RELATIONSHIP OF THEIR ECONOMIC  
DEVELOPMENT TO A HEALTHY WORLD ECONOMY. THEY SHOULD THEN  
BE MORE INCLINED TO DEAL CONSTRUCTIVELY AND COOPERATIVELY  
WITH THE PRICE AND SUPPLY QUESTIONS."

11.PAGE 13, NUMBER 2 VALUE OF OIL IN RELATION TO ITS  
NON-ENERGY USES. ADD TO END OF SECOND SENTENCE, WHICH  
CONCLUDES WITH "... IN EUROPE AND JAPAN)" THE FOLLOWING,  
"AND THE PRICE OF A BARREL OF OIL SHOULD REFLECT A COM-  
POSITE OF THE VALUE OF THE VARIOUS FRACTIONS OF PRODUCTS  
IN THE BARREL, THE PRICE OF SOME BEING QUITE LOW." DE-  
LETE THIRD SENTENCE BEGINNING "TO THE EXTENT ...." MODIFY  
FINAL SENTENCE OF PARAGRAPH AS FOLLOWS: "ANY PRICE  
INCREASE BASED ON THE THEORY PUT FORWARD BY OPEC WOULD

DIMINISH THE MARKET FOR ALL FRACTIONS AND ULTIMATELY  
CONTRACT THE REVENUES OF PRODUCERS."

12. PAGE 15, NUMBER 4 "SECURITY OF OIL SUPPLIES".  
SECOND SENTENCE SHOULD BE MODIFIED TO READ "IN PARTICULAR, WE SHOULD SEEK TO IDENTIFY NEW ARRANGEMENTS WHICH  
WOULD BE MORE EFFICIENT AND MORE SECURE IN TERMS OF LONG-  
TERM SUPPLY THAN THE EXISTING STRUCTURE AND UNDER WHICH  
PRODUCERS...". FINAL SENTENCE SHOULD BE ADDED AT THE  
END OF THE PARAGRAPH TO READ "ANY CONSIDERATION OF AN  
AGREEMENT INVOLVING LONG-TERM SUPPLY COMMITMENTS MUST  
TAKE INTO ACCOUNT THE ATTITUDE OF VARIOUS PRODUCERS  
TOWARD USING OIL TO OBTAIN POLITICAL GOALS."

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13. PAGE 15, NUMBER 5. MODIFY LAST SENTENCE TO READ  
"THE SHARING OF COSTS AND BENEFITS ASSOCIATED WITH THE  
CREATION OF ALTERNATIVE FUEL TECHNOLOGIES MIGHT BE  
PROPOSED AS ONE FEATURE OF A COMMON APPROACH FOR THE  
UTILIZATION OF FINITE OIL RESERVES."

14. PAGES 18-20, IV.B. SECTION ON USE OF OIL PRODUCERS'  
REVENUES SHOULD BE REDRAFTED TO TAKE ACCOUNT OF THE RE-  
CENT PAPER BY THE VAN YPERSELLE GROUP ON THE SAME SUBJECT  
AS MODIFIED BY THE US CONTRIBUTION.

15. WITH REGARD TO THE PROPOSAL ON STOCKPILES OF FOOD-  
GRAINS, WORK IS ALREADY UNDERWAY ON THIS ISSUE IN CONTEXT  
GATT MULTILATERAL TRADE NEGOTIATIONS IN GENEVA AS WELL AS

PREPARATORY GROUP UNDER THE INTERNATIONAL WHEAT COUNCIL  
IN LONDON. IN VIEW OF SUBSTANTIAL PROGRESS WHICH  
HAS ALREADY BEEN MADE IN THESE FORA, WHICH WILL HOPEFULLY  
LEAD TO NEGOTIATIONS, WE WOULD PREFER THAT ADDITIONAL  
WORK NOT BE BEGUN IN STILL ANOTHER CONTEXT AT THIS TIME.  
THEREFORE, WE RECOMMEND DELETION OF 2.(B) ON PAGE 22.  
FYI. US PROPOSALS IN LONDON MEETINGS ON GRAIN RESERVES  
ADVOCATE AN INTERNATIONALLY COORDINATED SYSTEM OF NATION-  
AL RESERVES PRIMARILY FOR PURPOSE OF ENHANCING WORLD  
FOOD SECURITY AND SECONDARILY FOR PURPOSES OF LESSENING  
FLUCTUATIONS IN PRICES. LATTER IS POSITION ADVOCATED  
BY EUROPEAN COMMUNITY. END FYI.

16. PAGE 22, DELETE LAST TICK UNDER D.1. WHICH READS  
"ASSURED MARKETS IN BOTH CONSUMERS AND PRODUCERS ON  
SPECIFIED TERMS." INGERSOLL

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